Social insurance and social protection

Report of the Director-General (Part I)
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The establishment of systems of social insurance in the early 1900s, their subsequent development into generalized systems of social security, and their more recent evolution into nearly universal systems of social protection have been among the central features of social development in the twentieth century. This process has been actively supported and promoted by the International Labour Organization since its beginnings in 1919, and has been made possible by the strong economic growth of the past 100 years, the consolidation of participatory democracies, and the development of effective public institutions, international as well as domestic, which provided the framework for these social programmes.

In the early years of the century governments in the industrialized countries actively supported the establishment of systems of social insurance which gave workers and their families a way to insure themselves against many social hazards, and provided income support when they were no longer able to work – chiefly in the case of old age, but also during periods of illness and, to a lesser extent, during periods of unemployment.

These early schemes, however, were limited in their occupational coverage, in the level and duration of benefits, and by the fact that they were required to be self-financing on the basis of individual accounts; benefits and entitlement depended on past
employment and contribution history, and the State provided little in the way of overall support.

In the middle part of the century, and particularly after the Second World War, these schemes gave way to more fully developed social security schemes characterized by a greater degree of solidarity between the young and the old, the employed and the unemployed, those in good health and those who were ill. Coverage was extended to all occupational groups, and the State assumed full or partial responsibility for financing the schemes, which were no longer based on a strict accounting of individual contributions and liabilities. Benefits were enhanced and the number of contingencies widened. Contributions remained an important parameter in determining entitlements, but only at an aggregate level.

More recently, that is over the last 30 or 40 years, the concept of social security has been further expanded to encompass a framework of social protection which provides generalized basic social support for all citizens, regardless of contribution or employment history, although these factors remain important in determining the level of some benefits above their basic minimum. This has enabled the State to extend income support to individuals on the basis of need rather than acquired rights, and has facilitated the provision of health care to entire populations. In these new structures, benefit levels tend to be set by governments in relation to needs rather than entitlements, and contribution rates have become the dependent variable, frequently indistinguishable from general taxes in their incidence.

This expansion of social protection in the industrialized countries has been a great success. In the early part of this century life expectancy was low, working life was long, the span of retirement was short, and the elderly were almost entirely dependent upon their children: to be old meant to be poor. Childbirth was risky, for the
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child and for the mother, infectious diseases were prevalent, access to medical care was limited, difficult and expensive, and prolonged illness was accompanied by distress and frequently by financial catastrophe. Unemployment caused hardship, if not destitution. Little was done to prevent occupational diseases, while industrial accidents were poorly compensated and led to a subsequent life of deprivation. These conditions existed in a context where the distribution of income was severely skewed and where high incomes were associated with property and financial assets rather than with human resources and skills.

Today, many of these hazards have been eliminated or alleviated. The incidence of poverty among the elderly is now no greater than for the population as a whole, and retirement spans ten or 20 years. Access to high quality health care is universal, or almost so, and medical and pharmaceutical developments have eliminated many of the infectious diseases which affected children and men and women in the prime of life; health expenditures are now chiefly concerned with the chronic diseases of later life. Income support for those who are out of work has meant that unemployment no longer leads inevitably to unacceptable levels of hardship, and that the more severe economic cycles no longer provoke the social and political unrest which they did, for example, during the 1930s.

While many of these achievements are associated with economic growth, general improvements in the standard of living (better housing, diet and public health services for example) and good governance and administration, they have also been strongly propelled by the development of social protection; as a result, the benefits of mutual support and solidarity have been spread widely, almost universally, throughout the populations of the developed countries.
Few of these gains in social welfare are found in the developing countries, in spite of the fact that virtually all of them possess some form of social security. But almost invariably, the scope of their schemes is restricted to the public service and the modern sector of the economy, where the structure of large enterprises makes it possible to collect taxes and contributions, maintain records of benefits and entitlements, and administer social security schemes. But even within this limited scope, these schemes frequently function very badly. There are problems of compliance, by both employers and workers, and many formal sector workers are not brought within the scheme. The social security institutions charged with the management of the schemes are often deficient, not only in terms of their operating functions (which tend to be excessively expensive) but in terms of their financial management and their ability to pay benefits promptly or in full. Corruption is sometimes a major problem and regional services may be non-existent. Benefits are generally very low or of short duration, and the contingencies covered are very limited. Health services are poor in quality and difficult to access. Coverage for unemployment is rare or minimal.

Outside the formal sector poverty is widespread; social security schemes, on their own, do not have the capacity or resources to alleviate poverty where it is generalized, nor do they possess the ability to reinstate individuals who fall into poverty through no fault of their own, as the result of illness, incapacity or exclusion from better paid and more stable employment in the formal sector. Many developing countries have attempted to introduce national and universal systems of basic health care; some offer a minimal, non-contributory, old-age pension as an anti-poverty measure; and in some countries low-income households are assisted by means-tested
family benefits, although the level of benefits tends to be low in both relative and absolute terms.

Social security schemes which cover the formal sector as well as general schemes which are financed out of general revenues have suffered as the result of the economic decline experienced by developing countries over the past decade or so, and sometimes as the more immediate consequence of programmes of structural economic adjustment.

The construction and, in many cases, the reconstruction of systems of generalized social protection, at a level consistent with the current state of development of the countries concerned, is clearly one of the major tasks of economic development over the next several decades. It is one which will need to engage the efforts not only of governments and the social partners, but of the international community as a whole, and particularly the International Labour Office.

As the experience of the developed countries has shown, the presence of a reasonable social safety net for all individuals and households enlarges and strengthens the labour force of a country, adds to its capacity to promote growth and to accept change, and underpins a greater degree of political and social stability. Furthermore, entitlement to adequate levels of social protection is recognized explicitly in the several international declarations dealing with the matter, and in the various international labour standards on social security (and related issues) which have progressively enhanced the benefits and entitlements which all members of the community have the right to expect. Access to social protection is a basic human right, as well as a measure of human welfare, and its promotion will require normative actions – on the part of governments, the social partners and the ILO – as well as technical assis-
tance concerning the structure and development of the schemes themselves.

The task is, of course, an enormous one, and it is bound by a number of constraints. Chief among these are the level of economic development of the country concerned and the structure of its labour force, in particular the size of the informal sector. Social protection in developing countries will need to form an integrated part of general economic and social development, both in order to remove the constraints to its extension to the whole population, and to benefit from, and contribute to, other aspects of development.

But the task is not impossible. A system of mutual support does not necessarily depend upon whether the participants are all rich (although it helps). In health care, much can be achieved with fairly modest and inexpensive technology. Nor is it necessarily the case that the sophisticated administrative and management structures of the developed countries are invariably the most appropriate for the developing countries. There is considerable scope for countries at all stages of development to expand to the limits their present systems of formal social security, to provide beyond these limits a greater level of universal support for the poor and the destitute, and to couple these efforts more closely with other programmes which aim at assisting the individual to find a place in the mainstream of formal economic activity.

In committing itself to this goal, the ILO cannot act alone. The extension of social security schemes in developing countries is part and parcel of the broader issue of economic, political and social development. Greater policy cohesion will be required not only between the ILO and its many technical, normative and regional departments and the governments, social partners and people of the countries concerned, but also with the wider international commu-
nity and, in particular, with the agencies of the United Nations family, the Bretton Woods institutions, and the aid agencies of the industrialized economies.
Institutionalized social security, in some measure or other, exists in almost all countries today. However, there is much variation between countries with regard to the levels of protection, scope, coverage and effectiveness of the systems in place.

As a group, the developed countries have the most advanced social security systems. The concept of social security originated in Europe towards the end of the last century, and had developed considerably in Europe, North America and Australasia even before the Second World War. Today, the OECD countries have comprehensive systems which typically cover all the relevant contingencies, extend to practically the whole population, and operate effectively and efficiently. Social expenditures – including both cash transfers and the provision of health and education services – now represent more than 25 per cent of the gross domestic product of OECD countries and, in many countries, absorb more than 60 per cent of total public expenditure. Health and education are among the largest single employers – public or private – in the industrialized economies.

With very few exceptions, institutionalized social security in the developing world is of relatively recent origin, having appeared only after the Second World War, following the emergence of several independent States at the end of the colonial era. In general, social security systems in developing countries do not cover the full range
of contingencies, exclude appreciable proportions of the population, and have serious shortcomings as regards their operation. Large numbers of people in these countries have therefore to rely on family, communal or social networks when they encounter difficulties.

The former planned economy countries constitute a distinct group. In the former communist countries, universal entitlement to social protection, along with the guarantee of full employment and the obligation to work, lay at the core of the social contract between individuals, enterprises and the State. Social protection was largely organized through the medium of the enterprise, with the trade unions playing a significant role in its administration. Unemployment, as such, did not exist; hence there was no need for unemployment compensation and the role of social assistance was largely limited to helping those unable to participate in the labour force – invalids and the physically or mentally incapacitated. While such systems were comprehensive from the point of view of contingencies covered and population protected, they were inadequate in their provisions and inefficient; moreover, they have proved unable to cope with the transition of these economies to market-oriented systems.

The above categorization conceals a great deal of diversity between the countries of each group, between different regions of the same country, and between the different branches of social security. It also conceals very different growth patterns. During the 1950s, 1960s and into the 1970s, social expenditures of all kinds grew very rapidly in all the developed economies – nearly 1.8 times faster than GDP, which itself was growing strongly during the same period. Since the mid-1970s, this growth has slowed down and attention has focused on the quality and efficiency of social
programmes rather than their magnitude. Conversely, after several decades of what appears to have been neglect in Africa and Latin America, large numbers of countries in these two regions are now contemplating radical reforms and rapid expansion of their existing schemes. Similar changes are occurring in a number of countries of South-East Asia, particularly those with booming economies. Lastly, the countries of Central and Eastern Europe and a number of other former planned economy countries are restructuring their systems of social protection as part of their transition to more market-oriented economies.

THE MAIN FEATURES OF SOCIAL SECURITY PROGRAMMES

Coverage

The nature and extent of social protection can vary significantly between different sections of the population within a given country. The starkest contrast is to be found in the developing countries, where most people who are not wage-earners in the urban formal sector do not enjoy protection, other than whatever public assistance may exist. Voluntary participation in the social security scheme for employees is sometimes available to uncovered categories, but most cannot afford to pay the contribution, which is usually equivalent to the total paid by workers and their employers. In the industrialized countries the self-employed are generally subject to compulsory protection, either under schemes applying to other sections of the population or under special schemes catering specifically for the self-employed. Typically, the self-employed are not insured against unemployment or work injury and, where their pension and sickness
insurance arrangements are separate from those of employees, they tend to provide more modest benefits. Where family benefits are still provided on an occupational basis, they too are usually lower for the self-employed, but the trend is for family benefits to be provided on a universal basis by the State.

Another section of the economically active population that has often tended to have a different – and generally superior – standard of protection is the public service. Schemes for public service workers, notably pension schemes, existed in many countries before the introduction of social security for employees in general, so it was not uncommon for them to remain outside the newly created general schemes. Special schemes for public servants are still to be found in many countries, particularly in the developing world; the trend in industrialized countries has been to extend the general social security legislation to cover public servants and to convert their special schemes into complementary schemes. This has been seen as desirable, not only from the point of view of equity, but also to ensure adequate protection for workers moving between the public service and other employment.

The importance of complementary schemes for employees varies greatly from one country to another and is closely dependent on the level of benefits provided by the statutory social security system. Where the latter is low, e.g. because benefits are flat rate or because there is a relatively low ceiling on covered earnings, complementary schemes tend to play an important role; indeed, some countries have made them compulsory. The standard of protection offered by complementary schemes also varies according to the economic strength of the firm or industry and to the position of the individual employee; for example, white-collar workers tend to receive better
complementary benefits than manual workers, many of whom enjoy only statutory social security protection.

Administration

The administration of social security schemes is usually the responsibility of an autonomous social security institution or of a government department. The autonomy of social security institutions is usually confined to administrative matters, as decisions concerning coverage, benefits and contributions normally remain the prerogative of the parliament, acting in most cases through the relevant government department.

It is customary for the social partners to be involved in the administration of autonomous social security institutions, either on a bipartite basis or, along with government representatives, on a tripartite basis. In many of the former socialist countries, trade unions had responsibility for administering parts of the statutory social security system; this practice, however, has been discontinued in various countries in recent years, owing to political changes and a redefinition of the role of trade unions.

Pensions

Some national pension systems are of the flat-rate type, others (the majority) are earnings-related. Although this distinction remains significant, there has been some convergence over the years. On the one hand, various countries with a flat-rate tradition have adopted legislation to establish an earnings-related social insurance scheme or to make earnings-related complementary pensions compulsory. On the other hand, countries with earnings-related systems have tended to introduce or improve schemes designed to ensure that all
pensioners receive an adequate social minimum, usually on a means-tested basis.

For numerous countries in the developing world the only form of social protection against the long-term contingencies has been a provident fund. This is a system which provides only lump-sum benefits at retirement, rather than any form of regular replacement income; furthermore, as only contributions are defined by legislation, the level of the benefit that a worker will ultimately receive is subject to great uncertainty. In view of these inadequacies, more and more countries are considering the replacement of their provident funds by pension schemes.

In Latin America, however, there seems to be a trend in the opposite direction, i.e. the replacement of statutory pension systems with what could be considered as compulsory saving schemes. As in the case of provident funds, such schemes provide no certainty as to the amount or value of benefits that will ultimately be payable. Other features of the new arrangements are that the compulsory contributions are payable only by the employee, not by the employer, and that the system is administered by private institutions which compete for the accounts of covered employees.

The attraction of defined-contribution schemes of this type is that there is no uncertainty concerning their cost. This is probably the main reason for their growing popularity with employers in the United States and a number of other countries.

The State indirectly influences the development of complementary schemes by the level of benefits it provides through social insurance schemes, and more directly through legislation regulating the operations of complementary schemes and their tax status. If, as is usually the case, employers' contributions to these schemes are treated by the tax system as a business cost, then a large part of the
cost of the employers’ contribution is offset by tax savings. This means that a significant part of complementary pension contributions is, in effect, paid by the government in the form of tax foregone. There is growing awareness in government circles of the cost of these “tax expenditures”, and a tendency to place limits on the amount of contributions per employee that may be deducted as business costs.

In most countries complementary schemes have to conform to certain standards as regards the security of pension fund investments, participation of employee representatives in the administration of the fund, and various aspects of benefits, such as vesting and transferability. Schemes that do not conform to these standards will usually not qualify for favourable tax status, nor will they be recognized for the purposes of “contracting-out” — a practice in some countries which allows workers partially to opt out of the statutory scheme if they have satisfactory complementary arrangements. By their decisions on what is to be judged satisfactory, governments can clearly bring influence to bear on the way complementary schemes develop.

In many countries women are less well served than men by complementary pension schemes for a variety of reasons, such as the exclusion of part-time workers, differences in protection which are unfavourable to staff in junior positions, rules restricting coverage and vesting of benefits to employees with a substantial period of service, and unfavourable provisions for early leavers. Direct discrimination against women, common in complementary pension schemes in the past, is now disappearing as a result of equal rights legislation.

Numerous countries have retirement income policies that refer to three tiers or pillars of protection. The first is the national pension
scheme, the second is the complementary or occupational pension scheme, and the third is an individual retirement account. Favourable tax provisions often apply to savings deposited in these accounts, from which withdrawals cannot be made before retirement age.

Unemployment benefits

Unemployment insurance benefits are payable only for a limited period, ranging from six months to two years or more, depending on the country and, in many cases, on the individual’s length of insured employment. Basically, unemployment insurance provides only short-term benefits. However, since the mid-1970s, unemployment has proved to be a long-term risk for a growing number of workers. Typically, when unemployed people exhaust their unemployment insurance entitlement, they may turn only to social assistance benefits, which are normally more modest and subject to a means test. With the rise in long-term unemployment, a number of countries have sought to improve protection for older workers who experience the greatest difficulty in finding another job, by extending the duration of benefits for workers above a certain age; under certain conditions, benefits may be payable right up to retirement age.

In spite of the adjustments that have been made to unemployment insurance schemes, a large number of the unemployed do not qualify for benefit, either because they have exhausted their entitlement or because they have not been employed long enough to be eligible. School-leavers have been in a particularly difficult position, having neither work experience to help them in finding employment, nor any unemployment insurance entitlements. There has been growing emphasis on programmes to provide young people with
work experience and/or vocational training, but in very few countries are there sufficient places in such schemes for all the young unemployed.

Expenditure on unemployment benefits, a rather minor component of social expenditure prior to the mid-1970s, is now a major item, and various governments have cut benefits in an effort to contain costs, for example, by abolishing earnings-related unemployment benefits or reducing benefit levels under earnings-related schemes when unemployment continues beyond a certain period.

Employment injury compensation

Benefits in the case of disability or death resulting from an industrial accident or occupational disease are in most countries provided under a special branch of social insurance, or else employers themselves are liable to provide specified levels of compensation in such cases. Employer's liability is still common in developing countries, and insurance, with private or public carriers, is generally available to cover the liability.

Income replacement levels under employment injury schemes are usually higher than under regular sickness insurance and pension schemes. However, some countries, for example the Netherlands, do not have special benefits in the case of employment injury, on the grounds that the needs of disabled workers are not affected by the origin of their condition. There is some merit to this argument, but it is likely to be acceptable to workers only where the level of standard sickness and disability benefits is as high as the benefits that would normally be payable for an employment injury. The advantage of such an arrangement is not only that it grants equal benefits in cases of equal need, but that it obviates the legal disputes that may arise
about whether an injury or a disease is in fact work related. Another type of protection that has helped to cut down litigation and uncertainty is New Zealand’s comprehensive accident insurance programme: it ensures that the same benefits are payable whatever the nature of the accident, but unlike the Dutch scheme, it does not apply to incapacity for work due to sickness. Thus, accident victims qualify for relatively high earnings-related benefits, while workers who simply fall sick receive a flat-rate sickness benefit, subject to a means test.

Health care

Health care is provided in almost all industrialized countries either under social insurance or by a national health service. Generally speaking, the entire population is covered. Social insurance systems may require special provisions to ensure that people dependent on social assistance have sickness insurance contributions paid on their behalf or that some alternative arrangements are made to guarantee them access to care.

In developing countries, on the other hand, social insurance health care systems tend to exist alongside public health services, and to offer a much higher standard than the latter. In a number of countries the resources and facilities of the social insurance system provide improved health care for those who are able to participate, but wide disparities in both the level and quality of care exist between the general and the social insurance schemes.

The United States has neither a national health service nor a national health insurance scheme. Poor people are covered by a special programme (MEDICAID), and old people are provided with health services under the MEDICARE programme. Others are
mostly covered by private health insurance schemes, usually organized by their employer. But deficiencies in the coverage of this mixed system have led to a situation in which millions of people have no health insurance. As private health insurance is customarily linked to a worker’s employment, the loss of one’s job may be doubly distressing. This situation can be aggravated by higher unemployment or by the decision of employers to review and cut back their health insurance programmes in the face of rising costs. On the other hand, the extensive cost-sharing provisions of many health insurance plans may result in high out-of-pocket health expenses.

Family benefits

Traditionally, family benefits have been employment related. In industrialized countries, however, there has been a strong tendency to create schemes for the self-employed and other groups not already covered or, more commonly, to make family benefits a universal benefit financed out of general government revenue. In developing countries, on the other hand, family benefits are still restricted in most cases to public and private sector employees.

The original and still dominant reason for providing family benefits is to help people to cope with the extra costs involved in supporting children, and thus to promote horizontal equity between those who have children and those who do not. According to this objective, benefits are paid for all children who fulfil the qualifying conditions, regardless of the family’s income. However, in most countries family benefits do not cover more than a small proportion of the real cost of child support. To help meet the needs of families with low incomes, supplementary family benefits have been introduced on a means-tested basis in a number of countries. Recently,
there have been efforts by some governments to subject regular family benefits to a means test, primarily in order to reduce public expenditure. These efforts have been strongly opposed by organizations representing the interests of families and children.

Support for families is also provided in many countries through the tax system: where income tax rates are progressive, the value of tax concessions for family dependants is often greater for higher income groups. There is a strong case for phasing out such concessions and providing all help with family costs in the form of a non-means-tested cash benefit. To have tax concessions favouring the rich alongside means-tested provisions for the poor appears to be not only inconsistent but unnecessarily complicated and costly to administer.

Sources of financing

With the rising cost of social protection, governments in recent years have been constantly reviewing the mechanisms used to finance the system. Traditional social insurance contributions, based on earnings, have been criticized as adding to labour costs and discouraging employers from hiring more workers. Alternatives, such as value-added tax, have been proposed, but the disadvantages associated with them have been found to be even greater. Numerous countries have, however, reformed their contributions systems, with a view to minimizing their undesirable effects. For example, ceilings on employers' contributions have been raised or removed, where they were deemed to encourage overtime at the expense of new recruitment and to place labour-intensive industries at a disadvantage. Central and Eastern European countries, where enterprises once paid all social security contributions, are in the process of
introducing new systems under which contributions are shared by employers and workers, as in most Western countries.

Efforts have also been made to increase the transparency of social security financing, for example by distinguishing more clearly between social insurance benefits, for which contributions are most appropriate, and provisions designed to assist disadvantaged groups, which should be financed out of general taxation. Some social insurance systems still receive government subsidies, but the tendency has been for the level of subsidies to be reduced either *de jure* or *de facto*. In developing countries, in particular, government subsidies have proved to be a very uncertain source of income for social insurance schemes. In the family benefits branch of social security the long-term tendency has been to move from contributions to tax financing, as these schemes have become universal in character. A move in the opposite direction is starting to take place in health care and pensions in Central and Eastern Europe, as national health services are replaced by health insurance systems, and insured persons are being required to contribute towards their pensions.

Funding systems

If social security revenue (including employer-employee contributions and government subsidies) is set at a level equal to the expenditure (including both benefits and administration) in the corresponding time period, the system of funding is termed "pay-as-you-go" (PAYG). This system is almost automatically applied to short-term benefit schemes everywhere. In the case of long-term benefits – i.e. those relating to the contingencies of old age (retirement), invalidity and death – different levels of advance funding of future benefits may be practised. The range of funding methods
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extends from the PAYG system (with no advance funding) to the fully funded system (with full funding of accrued benefits).

Long-term benefit (pension) schemes in the developed countries started off on a practically fully funded basis, but have degenerated almost completely into PAYG systems as they extended coverage to substantial categories of the population and advanced towards maturity. The massive erosion of their reserve funds during the Second World War was also a contributing factor. Social security pension schemes in Latin America, many of which emulated the early European fully funded approach at the outset, have also witnessed an appreciable reduction of their funding levels owing to the effects of hyperinflation, the granting of benefit improvements without commensurate increases in revenue, and the difficulties of obtaining a sufficient return on the fund’s investments.

Social security pension schemes in Africa, Asia and the Caribbean, deliberately adopted partially funded systems of financing, in order to avoid the disadvantages of both the PAYG and the fully funded systems. Several schemes, however, are struggling to maintain their funding levels, mostly because of the poor investment performance of their reserve funds. National provident funds are, by definition, fully funded.

Indexation of benefits

The indexation of benefits, particularly pensions, in order to maintain their purchasing power, and preferably their parity with the earnings levels of active persons, is a common practice in the developed countries; in many, the method of adjustment is automatic or semi-automatic, and is facilitated by PAYG funding. It must be added, however, that the financing problems encountered since the
mid-1970s have led to the curtailment of indexation provisions in certain countries.

Social security schemes in the developing countries are generally deficient as regards the indexation of benefits. The failure to index benefits, particularly over a long period of inflation, imposes considerable hardship on pensioners. Legislation often provides for some kind of benefit adjustment, but there is rarely any automatic mechanism to ensure that it actually takes place. The adjustment of benefits is thus a discretionary matter, and the decision to raise benefits in line with prices or wages can lead to serious financial problems. Part of the reason for this is that the schemes often operate on a partially funded basis and the reserves which they have accumulated typically earn a very poor rate of return. In some cases, this may be attributed to lack of expertise in managing the funds, but more often it is a reflection of the fact that the schemes are not free to invest the funds as they judge best, but instead are obliged to invest in government bonds, often at negative real interest rates. Even if the schemes are allowed to invest on the open market, they often find it very difficult to guarantee regular indexation of benefits in the absence of investment opportunities which are equally indexed. Another requirement, if benefits are to be indexed, is the regular indexation of any ceilings which may apply to contributions and benefits; there are countries in Africa, for instance, where ceilings have not been raised for decades, and where the real value of workers’ pension entitlements has consequently declined steeply.

The non-indexation of benefits has also been a major problem in the countries of Central and Eastern Europe, where rapid inflation and swiftly changing relative prices have followed on the heels of price liberalization and the move towards more market-oriented economies. The absence of any automatic mechanism to adjust
benefits has left pensioners particularly vulnerable during periods of price deregulation. All countries in the region have, however, made ad hoc adjustments, generally with the aim of maintaining the real value of benefits at least at the bottom of the scale.

REGIONAL CHARACTERISTICS AND VARIATIONS

OECD countries

Virtually all industrialized OECD countries have relatively advanced social security systems whose roots can be traced far back into their national histories. The institutions in place before the Second World War were considerably revamped and expanded in its aftermath, so that at present these countries offer an ambitious array of social programmes that cover virtually the entire population. Typically, these programmes provide benefits for all contingencies referred to in the ILO’s Social Security (Minimum Standards) Convention, 1952 (No. 102) – i.e. sickness, maternity, unemployment, disability, family allowances, death and retirement – and often also provide housing supplements, care allowances for the long-term disabled and social assistance for those in need.

Pension programmes in most countries are basically financed by payroll contributions from workers and employers (with the remarkable exceptions of Australia, Denmark and New Zealand, where they are financed from general tax revenues). In many countries the governments also contribute monies from general revenue sources. Frequently, the payroll tax for the employer is much higher than the worker’s contribution, and sometimes the employer pays the entire amount (in particular for workmen’s compensation schemes).
Historical factors have had a great impact on the present social security strategies and their underlying philosophies. Some countries have viewed an expansive social security system as contributing to economic and political stability, because it guarantees that the incomes of their people will be maintained during periods of economic upheaval. Other countries have consciously designed their social welfare programmes in reaction to, and as a partial corrective for, past periods of national poverty.

The particular approaches or philosophies these countries have adopted were not laid down once and for all time. On the contrary, major changes have been made periodically. Initial expectations about costs and benefits often have not been realized. That is why after a period of massive growth in expenditure during the fifties and sixties, social security schemes entered a phase of consolidation; during the last two decades, governments have tempered efforts to extend and strengthen the blanket of social protection through compulsory state programmes, and focused instead on cost-containment measures, in order to maintain social security expenditure in line with reduced economic growth and national income trends.

This was especially the case in the health care sector, where the initial conviction that additional expenditure would result in an almost proportional improvement in the health status of the population has given way to the recognition that expenditure in this area cannot forever continue to grow faster than national income. Increasing efficiency at sustainable costs became a primary goal of policy; moreover, in an effort to contain costs, measures such as patient co-payments, closer monitoring of price, structure and volume of health care goods and services as well as budgetary caps were introduced. Structural reforms have been at least partially completed in some countries (e.g. Germany, United Kingdom) or are
currently envisaged (Netherlands); they aim at introducing some mechanisms of self-regulation, such as market-like negotiations of prices and quantities of goods, or some kind of competition among providers and insurers. All these measures have had some success, but in the long run the outcome appears to be of limited effect. In general, after a temporary downwards shift, expenditure trends have resumed their climb, making further measures necessary; thus, most industrialized countries have for several years experienced a succession of cost-containment measures.

As regards public pension schemes covering the contingencies of old-age, invalidity and death, financial problems are expected to become particularly acute in the future. These schemes, which operate almost exclusively on a PAYG basis, are particularly vulnerable to shifts in the contributors/beneficiaries ratio. All current projections expect this ratio to decline considerably in the next 50 years, as the proportion of the elderly grows owing to a steadily increasing life expectancy, and as the proportion of the potentially economically active declines owing to birth rates which have been well below replacement levels since the end of the 1960s. The demographic pressure on the financial situation of pension schemes will add to the problems of maturation which already exist in many OECD countries. By 2025, in the European Community countries alone, the number of people over 65 years is expected to increase by 21 million, while that of the potentially active population is expected to decline by over 15 million.

Current reforms in public pension schemes are triggered not only by the demographic problem, but also by changing economic and social environments. The high level of unemployment has generated pressure on workers either to retire early or, where they felt unfit to sustain increased work pressure, to claim invalidity benefits. States
have generally responded by introducing pre-retirement schemes or flexible retirement arrangements, and by tightening eligibility conditions and promoting rehabilitation in order to reduce the number of labour-market-related invalidity benefits.

Changes in the structure of society, such as altered family composition, rising divorce rates and increased female labour force participation, as well as a strong politically motivated demand for equality of treatment of men and women, have generated a number of reforms in survivor benefit schemes, which were traditionally based on the assumption of a male breadwinner and a housekeeper-wife caring for children. Many countries have introduced widower’s benefits on the same footing as widow’s benefits, while at the same time subjecting survivor benefits to an income test or to the survivor’s unavailability for work due to children, invalidity or advanced age.

High unemployment levels have also prompted a number of reforms in unemployment insurance schemes. The main tendency of these reforms has been to lower benefit rates and concentrate benefits on particularly vulnerable groups such as the old, unemployed, single parents with children, first-time jobseekers, etc. More emphasis has also been laid on vocational training and retraining in order to respond to the structural adjustment processes under way in all OECD countries.

Africa

The social security and social protection schemes of many African countries reflect their colonial heritage and their links with European countries.
In the countries of North Africa, for example, where the pattern of economic development and the growth of wage labour were strongly influenced by the proximity to European markets, social security schemes developed somewhat earlier than elsewhere throughout the continent, and tended towards comprehensive coverage and a wide range of benefits. In sub-Saharan Africa, on the other hand, social security schemes were introduced only towards the end of the colonial period as a necessary but limited response to changing economic and social patterns, and were essentially seen as complementary to the traditional forms of community-based protection.

The gradual establishment of modern economies throughout the continent had an inevitable impact on traditional support systems. New economic concepts and exposure to new cultures and social customs put a strain on rural communities; this was compounded by population growth and poor infrastructure and health conditions, and resulted in significant urban migration. There arose, thus, a need for income security schemes which was essentially similar in most African countries. These new schemes, however, developed along different lines, reflecting colonial heritages. Countries formerly administered by France and Belgium gave early priority to an extension of the family allowance schemes in order to supplement the wages of formal sector employees with children. In addition, they developed social insurance schemes to provide earnings-related benefits for the long-term contingencies of old age, invalidity and death and, to a lesser extent, to cover temporary absences from employment relating to sickness and maternity. Many of these countries also applied the social insurance concept to the contingency of employment-related injury or disease. In these respects,
it can be said that the systems of French-speaking African countries followed a European model.

In countries formerly administered by the British, on the other hand, there was not the same effort to duplicate schemes and concepts established in the United Kingdom or elsewhere in Europe. Initially, the authorities turned away from social insurance principles and sought instead to continue relying on the traditional community support systems, although national provident funds, based on a simple compulsory accumulation of contributions by the worker and his employer, were established throughout much of English-speaking Africa. At present, one of the major trends in the development of social security in Africa is the conversion of these schemes to pension schemes based on social insurance principles.

African countries which have more recently become independent, and the former Portuguese and Spanish colonies, in particular, are in the process of developing comprehensive schemes, at least for formal sector workers, based on social insurance principles. In several southern African countries, institutionalized social security is mostly undeveloped; benefits to formal sector employees are generally provided either directly by employers – under statutory obligation in the case of compensation for injury – or through commercial insurance companies.

As regards guaranteed health care, there is a greater measure of uniformity throughout the continent, although the resource levels and the success of public health care programmes vary significantly from one country to another. Health care is generally seen as the responsibility of public health services, and was initially financed by taxation. Over time, however, African governments progressively found it more difficult to finance guaranteed access to adequate medical care for all residents with taxation revenue, and therefore
shifted some of the financial responsibility elsewhere – i.e. to employers, through legislation or collective agreements, to patients, through fees imposed at the point of delivery, or to both, through the mechanism of social insurance. By 1970, labour legislation in approximately half of the African countries (most of them former British colonies) required employers to provide their workers with preventive medical care and, to a varying extent, curative care as well. By contrast, in French-speaking African countries and the Maghreb, schemes based on social insurance principles provide to their insured persons the right to free or inexpensive medical care, and some social security institutions have opened their own medical centres.

The coverage of African social security schemes is generally limited to formal sector workers, in other words, those outside the scope of traditional community support systems but within the range of administrative procedures. Only Mauritius and the Seychelles have achieved comprehensive universal schemes. Elsewhere, hopes that coverage would gradually be extended as the size of the formal sector increased have not yet been fulfilled: although the urban population of sub-Saharan Africa rose from 15 per cent of the total population in 1960 to 31 per cent in 1990, the formal sector labour force has failed to grow significantly. Thus, the proportion of the economically active population protected by social security schemes is lower in Africa than elsewhere; generally, it is less than 10 per cent, and has tended to fall, in spite of often repeated commitments to extend coverage to the entire labour force. Efforts have been made to extend schemes downwards from larger employers, and, in North Africa, to the self-employed and rural communities; however, there is often a considerable gap between coverage under the law and reality.
In the context of the widespread poverty which exists in much of Africa, and in the light of the narrow focus of institutionalized social security schemes, there has been an increasing recognition of the need to develop forms of social protection relevant to the needs of the whole population. This has led to a range of measures designed to protect living standards and facilitate income growth, including, in particular, the development of food security programmes and public employment schemes.

These public measures, however, have tended to conflict with the implementation of structural adjustment programmes, which often entail falling real incomes through devaluation, the removal of subsidies and the reduction of public expenditure. The latter, in particular, has adverse consequences for social provisions including health and social services. Recently, structural adjustment programmes have become more responsive to the need to devise social protection measures to provide safety nets to those adversely affected by economic reform. A linkage has not yet been found, however, between these essentially short-term measures and the need to provide a comprehensive resource- and needs-related social protection strategy.

Asia and the Pacific

Social protection in Asia and the Pacific is characterized by a wealth of diversity, resulting from the many cultural, historical and political legacies in this vast area of the world. All the same, social protection, in whatever form, is widely regarded as an effective instrument of social progress, and governments are generally committed to the ultimate aim of complete and universal coverage. This objective, however, is still far from being realized, owing to
such factors as the level of economic development, administrative and managerial constraints, and a general lack of physical resources.

The social protection programmes of Asian socialist centrally planned economies and economies in transition are based on principles of collective welfare and the State's dominant role in the control of the economy. It has therefore been the State's duty to provide employment, education, health services and other forms of social protection to the population. Consequently, these countries generally cover a higher percentage of their economically active populations than other developing countries in the region.

A wide range of social protection benefits, including pensions, health care, sickness and maternity benefits, and family allowances, are usually provided in the form of employer liability schemes, whereby the enterprise is responsible for meeting the costs and delivering the benefits directly to its employees. This kind of arrangement, however, has two major drawbacks: first, social security costs, particularly those relating to pensions and health care, can vary enormously between different employers, depending on the age-distribution of active and retired employees; this inhibits competition on an equal footing. Secondly, the worker's dependency on the employer impairs mobility and, for this reason, is an obstacle to economic development. Major reforms of these systems are therefore being considered. China, for example, is experimenting widely with pooling of risks and resources and other social security costs across enterprises, geographical areas and categories of workers.

The social security programmes of the developing market economies in the region were generally introduced during or shortly after the colonial period, and the historic features of that period are still reflected in the current structure of social protection. Because these programmes were designed for salaried workers in the formal
sector, who account for less than half of the labour force, the majority of the economically active population has no alternative but to depend on traditional forms of mutual assistance.

There are essentially four types of schemes providing institutionalized social security in the market economy countries in the region: employer liability schemes, social insurance schemes, statutory provident funds and non-contributory schemes. Employer liability schemes are extensively used for sickness and maternity protection; the employer is obliged by law to grant paid leave and to provide medical and lump-sum cash benefits in the event of work-related accidents or diseases. These arrangements have been replaced, at least for some categories of employees and in respect of employment injuries, by social insurance schemes which usually provide periodic payments (pensions) in the event of disability or death.

The long-term contingencies of old age, invalidity and death are often catered for through national provident funds. The lump-sum accumulation provided by these schemes is, in certain circumstances, available for early withdrawal, for example, to purchase a home. Despite the obvious disadvantages of a lump-sum retirement benefit, these schemes have gained a certain popularity because of their built-in flexibility, but some countries are nevertheless giving consideration to converting them into fully-fledged pension schemes.

Health care is mainly provided on a non-contributory basis through public health services which, although available in theory to all residents, generally suffer from lack of sufficient resources to furnish an acceptable level of care to all. Accordingly, some countries have set up parallel schemes based on the contributory social insurance principle; these schemes, however, are essentially limited to formal sector workers.
Certain non-contributory schemes have been introduced here and there in respect of severe deprivation, illness or disability, and even for specific categories of informal sector workers. But given the size of the unprotected population, these schemes have a very limited impact.

Latin America

Social protection in Latin America is more advanced than in the other developing parts of the world, thanks to the region's relatively higher level of economic development and longer tradition in the field of social security. Nevertheless, there is some diversity among the countries in the region as regards the extent of coverage and the range of benefits, reflecting the relative economic and demographic stage of development of individual countries, and their history of social protection.

Coverage tends to be more extensive, and the range of benefits wider in countries which are more highly developed and which introduced their first elements of social protection at an earlier stage (in some cases, as early as 1920). Their social protection schemes can be compared – if not in efficiency, at least in coverage – to those of the industrialized countries. At the other end of the scale are countries which tend to be less developed economically and which started setting up their social protection schemes at a later date (between 1950 and 1960). Their schemes can be compared with those of certain less developed countries in Asia or Africa.

On the whole, social protection throughout most of Latin America is still linked to the notion of contributions, and thus to the principles of social insurance. This explains why coverage in some of the more highly developed countries in the region, which have a
higher percentage of wage-earners in the labour force, can range from 55 to 100 per cent, while coverage rates in the less highly developed countries fall to 17 to 50 per cent. In terms of GDP, the former group spends about 10 per cent of GDP on social protection, while the latter only 2-3 per cent.

The diversity of the social protection schemes is also reflected in the structure and level of benefits. Schemes in the more highly developed countries tend to provide a better “package” of benefits, and in some cases cover (at least in theory) all the branches mentioned in relevant ILO Conventions, including unemployment. In general, the less developed countries have more limited benefit packages, often lacking family allowances and unemployment insurance.

Institutional arrangements for the administration of social protection schemes in the region take many forms: autonomous public institutions with a tripartite governing body, government agencies, private enterprises, etc. In most cases it is a combination of two or more of these forms. While some of these arrangements have been reasonably successful, virtually all are widely blamed for the lack of efficiency and inadequate performance of social protection schemes.

Further examination, however, reveals that external factors also play a role. In other words, the efficiency of social protection schemes is related not only to the type of institutional structure chosen, but also to the administrative standards and rules that have been adopted and the environment in which they operate. In general, greater financial and administrative problems are encountered where decision-making processes and day-to-day administration are highly centralized.

In addition to decentralization, other factors which appear to improve efficiency and performance are the harmonization of social
protection mechanisms with macroeconomic strategies, and the participation of the social partners.

In response to these and other problems, some Latin American countries are considering drastic alternatives, such as the adoption of mandatory personal savings accounts, whether publicly or privately managed. Whether this measure is appropriate, particularly in countries with a large and growing informal sector, unstable or intermittent employment patterns and low wage levels, is being seriously questioned at national and international forums. The majority of the countries in the region are instead focusing their attention on the design of a multi-pillar social protection structure, in which the State retains its role as regulator, guarantor and supervisor, and the private sector is invited to play a greater role.

Central and Eastern Europe

Central and Eastern Europe are fortunate in having developed systems of social protection, but the deep economic crisis affecting most of the countries in the region raises questions concerning their capacity to sustain existing levels of protection. At the same time, social security systems are having to respond to new needs associated with recession and rising unemployment, which are adding to the financial strain. A number of countries are already implementing reforms in order to remove social security from overextended state budgets and to create financially autonomous systems paid for by employers’ as well as workers’ contributions. Benefit reforms are, for the most part, still under discussion, agreement on this aspect being much more difficult to reach.

Pension systems in these countries are in most cases designed to ensure a fairly high level of income replacement, at least for those
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with a full employment record. In some cases, though, hyperinflation and inadequate benefit adjustments leave reality very short of that objective. Another shortcoming is that the systems often provide rather low survivors' and invalidity benefits.

In most of the countries in the region, with the notable exception of Poland, retirement age is lower than in the West. Furthermore, special privileges are accorded to workers in occupations or industries which are deemed to be arduous, allowing them to retire at age 50 or even earlier. The cost of these provisions is of concern to policymakers, as is also the rather arbitrary and inflexible classification of workers into different categories. A number of countries are therefore phasing out these privileges in the public social security system, while leaving the social partners free to negotiate alternative complementary arrangements.

Social protection in Central and Eastern Europe has until very recently been of an entirely public character. Legislation is now being considered to permit the creation of private schemes, notably for pensions. The demand for such schemes is likely to grow, since social security schemes now have or are in the process of introducing a maximum limit on benefits, and since the dispersion of earnings is becoming much wider than in the past.

Unemployment benefit schemes did not come into existence in these countries until the end of the 1980s. When they were introduced, benefits tended to be a fairly high proportion of previous earnings, payable for relatively long periods and not subject to very restrictive eligibility conditions. With the large rise in unemployment, governments have been compelled to reduce the level and duration of benefits and to narrow the range of workers entitled to receive them. Financial difficulties have also restricted expenditure on training, retraining and employment promotion measures. The
economic prospects are that unemployment will remain high for some years to come; these countries are thus faced with the choice, either to have a large number of long-term unemployed, dependent on social assistance, or to provide alternative employment, e.g. on public works projects, to those unable to find other jobs.

Social assistance exists only in a rudimentary form, having applied in the past only to very few people belonging to particular categories of the population. New legislation is being adopted with a view to providing a safety net for people without social insurance entitlements, such as the long-term unemployed and new entrants to the labour market.

With the notable exception of the former USSR, family benefits tend to represent a higher proportion of earnings than in Western countries. It must be borne in mind, however, that wages in these countries have been very low. In numerous countries family benefits have been provided as a social insurance benefit only to the families of employees, as was at one time the case in many Western countries. The trend is now to extend them to cover all categories of the population and to pay for them out of the state budget. With this extension and the pressure on public expenditure, the level of benefit is tending to fall. Some countries are also considering the imposition of a means test, although there is significant opposition to this idea, particularly from workers.

Female labour force participation is high, and the social security systems have been designed to help women combine their career with the demands of raising a family, for example by granting extended maternity leave, for up to two years or more, and by granting pension credits for time spent raising young children. These are features which have been emulated in various Western countries
and to which women in Central and Eastern Europe are understandably attached.

Health care has been provided by public health services, with expenditure being kept at levels very much lower than those prevailing in Western countries, not only in absolute terms but also as a percentage of GDP. Public dissatisfaction with the service, which tends to be poorly managed and unresponsive to patients' wishes, has led governments to commit themselves to the introduction of health insurance and the pluralistic provision of health care. As such a reform could lead to an explosion in health care costs, and as social security contributions are already very high, governments are having to proceed with some caution in this area.

INTERNATIONAL DECLARATIONS AND LABOUR STANDARDS

The Preamble to the Constitution of the ILO, adopted in 1919, refers to the need for improvements in "the protection of the worker against sickness, disease and injury arising out of employment", and "provision for old age and injury". Two decades later, in 1944, the Declaration of Philadelphia made the latter "a solemn obligation... to further among the nations of the world programmes which will achieve... the extension of social security measures to provide basic income to all in need of such protection; comprehensive medical care; and adequate protection for the life and health of workers in all occupations".

These two fundamental declarations, together with the Universal Declaration of Human Rights, adopted by the United Nations in 1948, marked the beginning of a new phase in the development of social security. From the 1920s onwards, the industrialized countries
of Europe, North America and Australasia began to establish and to extend compulsory social insurance schemes for different occupational categories (manual workers, employees, railwaymen, miners, public servants) with a view to guaranteeing benefits in cash or in kind in the event of specified contingencies. Subsequently, the Declaration of Philadelphia gave expression to more ambitious goals, focused around the objective of "freedom from fear and want", in the context of the Atlantic Charter of 1941. Underlying these declarations were the doctrine and proposals put forward by Lord Beveridge in 1942 in his report, *Social insurance and allied services*, which ultimately aimed at social security guarantees covering all situations of need for the entire population. The International Labour Conference, at its 26th Session in Philadelphia, reinforced this broader concept by adopting the Income Security Recommendation, 1944 (No. 67), and the Medical Care Recommendation, 1944 (No. 69). These Recommendations furnish guiding principles for the attainment of comprehensive social security, including social assistance. Recommendation No. 67 advocates income security by restoring, up to a reasonable level, income which is lost as the result of an inability to work (including old age), or to obtain remunerative work, or because of the death of the breadwinner. Furthermore it calls for the unification or coordination of social insurance schemes, the extension of such schemes to all workers and their families, including rural populations and the self-employed, and the elimination of inequitable anomalies. Recommendation No. 69 outlines solutions and methods likely to provide suitable health benefits for the whole population.

These Recommendations were not based on existing legislation, but on expected future developments. They expressed universal hopes for a better future. But in adopting these instruments the
Conference was also aware that such aims could not be achieved immediately. The Recommendations explicitly accepted that the recommended standards for complete social security coverage could only be obtained by degree and as national conditions would allow. The Social Security (Minimum Standards) Convention, 1952 (No. 102), although comprehensive in the sense that it defines and regulates all nine classical branches of social security, laid down relatively modest requirements regarding the scope and level of benefits; it also provided considerable flexibility in terms of temporary exceptions for countries whose "economy and medical facilities are insufficiently developed", and permitted member States to confine their ratification to merely three of the nine branches. It was followed in the next four decades by a range of other Conventions and Recommendations which set higher standards and established equality of treatment for all individuals, particularly between national and migrant workers.

In spite of the flexibility built into these Conventions and Recommendations, and in spite of the fact that Convention No. 102 is to be regarded as a set of minimum criteria, both the level of ratification and the number of countries whose social security systems fulfil these standards are very limited. A comprehensive list is attached. Of the 11 Conventions concerning social security adopted since 1945, only two (Convention No. 102 and the Equality of Treatment (Social Security) Convention, 1962 (No. 118)) have been ratified by more than 30 countries. In some cases, countries have not ratified the Conventions on technical grounds, in spite of possessing relatively well developed systems of social security. But in many other cases, the failure to ratify reflects fundamental inadequacies and deficiencies in existing systems of social security.
It is clear from the foregoing just how short has been the history of social security and social protection programmes. Although there were antecedents in the developed economies, dating as far back as the social insurance schemes established by Bismarck in the late nineteenth century, neither social insurance nor social protection programmes achieved any substantial magnitude before the middle of this century. In effect, their main expansion dates from the end of the Second World War. In the early 1950s, public expenditures on social programmes in the developed economies probably amounted on average to around 7 per cent of GDP. But during the 1950s, 1960s and 1970s they grew very rapidly, by nearly 8 per cent per annum in real terms, or about twice as fast as GDP. By the mid-1970s they absorbed nearly 25 per cent of GDP, ranging from less than 20 per cent in countries such as Japan and the United States, to over 30 per cent in some of the countries of the European Community and Scandinavia. This growth of expenditure was directed in almost equal proportions towards coping with the needs of an expanding population, enhancing the level of benefits (especially old-age pensions and health care services), and extending the coverage of social protection to the population as a whole and to the full range of contingencies, including general questions of low household income, unemployment, and both general and specific health care services.

The growth of social expenditures — both cash transfer payments and social services — was underpinned by the strong economic growth and high levels of employment experienced by the developed countries up to the mid-1970s and was associated with some major social successes, including a substantial reduction in the incidence of
poverty among the elderly, widespread provision of high-quality health care services (as evidenced by major reductions in infant mortality and infectious diseases), and a level of income support for the unemployed which enabled the developed countries to withstand the low growth and higher unemployment of the 1970s and 1980s with much less hardship than had been the case during the major economic recessions of the 1930s. Since the mid-1970s the growth of social expenditures in the developed countries has slowed down. The programmes of social protection have achieved a substantial level of maturity but at the same time have come to face a range of other problems – including the interactions between social programmes, the economy and the labour market, and questions concerning the effectiveness and efficiency with which social services such as health care (but also education) can be organized and delivered.

Given the speed with which social programmes in the developed countries have grown, and the scale and permanence which they have now achieved, it is not surprising that social protection programmes in the remainder of the world should lag behind, should operate within a much smaller framework and on a smaller scale, or should display such great diversity. Many of the joint prerequisites for their development have been absent, particularly during the 1970s and 1980s: full employment, steady economic growth, the existence of functioning financial markets and institutions, stable and democratic political structures, good governance and administration and, above all, a social consensus which supports the redistribution of income through a combined tax and benefit structure. Even where social security or social insurance schemes were established relatively early, as for example in Latin America, the absence of one or several of these conditions has not permitted their effectiveness to
be maintained, or their scope and benefits further developed. In other countries, in Africa and parts of Asia, social security has become limited essentially to the modern sector of formal wage employment. Within these limits, some achievements need to be reckoned, particularly in terms of protection against industrial and occupational accidents, the provision of (limited) incomes in old age, the provision of basic health care services, and assistance in the case of maternity. But there has not appeared a ready means of extending the limits of what is possible to those outside formal urban employment, and the situation has become worse with the decline of formal employment, rapid urbanization, and in many countries, the continuing dissolution of traditional systems of social support.
The divergence of experience between the developed and the developing world and, in so many countries, between aspirations and reality, raises a number of major issues: What is involved in further developing programmes of social protection so that they match the hopes and intentions embodied in the various declarations? What are the specific objectives? What are the constraints? How should policies of social security and social protection interact with other concerns whether social or economic? At a more concrete level: What are the technical difficulties to be faced? What is the role of the State? How can coverage be extended to the entire population? How can benefits be improved? Who will provide the resources, and how? What institutional structures will be required, and how can they be made more effective and efficient? Are there limits to what can be achieved and, if so, how can they be pushed back?

The generally accepted approach to questions of social security and social protection has evolved a great deal over the course of the ILO’s 70-year lifetime, as objectives have become broader and as constraints have shifted. Not surprisingly, the constraints faced by developing countries differ from those faced by the developed economies and raise the question whether objectives which are appropriate to the developed economies may need to be modified when applied elsewhere.
OBJECTIVES

A benchmark for objectives is established in Convention No. 102 and subsequent international labour standards, which identify nine main branches of social security and set out the minimum benefits which should be provided and the conditions for entitlement. These nine branches are:

- medical care;
- sickness benefit;
- unemployment benefit;
- old-age benefit;
- employment injury benefit;
- maternity benefit;
- invalidity benefit;
- family benefit;
- survivors' benefit.

The list is a comprehensive one, covering most if not all of the principal contingencies faced by workers and their families during the course of their lives. These Conventions and Recommendations go on to stipulate minimum levels of benefit and coverage, and provide broad indications concerning financing. They imply a significant degree of solidarity between the individuals covered by the schemes, and they place clearly with the State the responsibility for ensuring their provision.

The concept of social security defined by these instruments emerged from the more limited definition of social insurance developed earlier in the century, under which entitlements were more closely related to the insured person's history of employment and contributions, and schemes were consequently more limited as
The issues

regards coverage and the value of benefits. Ability to contribute was a prerequisite for joining the schemes, and this meant that participation was effectively limited to full-time male employees (and their families). The central concept was the pooling of identifiable social risks across the contributing population (initially on a voluntary basis), with emphasis on the actuarial assessment of benefit entitlements. Such schemes were mostly established on a self-financing, fully funded basis, and although the State provided the necessary guarantees concerning the viability of the schemes, it contributed little or nothing from general tax revenues.

These conditions were progressively relaxed as social insurance schemes evolved into authentic social security programmes. What was significant about the transition was the replacement of fully funded schemes constructed on the basis of individual accounts by more generalized financing on a "pay-as-you-go" (PAYG) basis, and the compulsory participation of specified groups of workers. The link between benefits and contributions was retained, but only at an aggregate level. This permitted greater emphasis on universality of coverage and on benefits which were more closely related to needs than to past contributions, and led to a greater degree of solidarity between the different economic and social groups in the schemes (although the self-employed and other sections of the active population continued to be excluded). It also paved the way for a blurring of financial commitments between social security contributions and general tax revenues, and the latter were increasingly used to supplement the revenue obtained from specific social security contributions.

It is from this basis that social security began to expand to a wider concept of social protection, primarily in the industrialized countries.
On the supply side, that is, in terms of resources available to support social security, in most developed countries it is now a second-order question as to whether increases in social expenditures should be financed by raising social security contributions or general taxes, since the distributional and macroeconomic consequences of such increases are broadly similar, inasmuch as almost all members of the active population are brought under the net of payroll taxes, income taxes or indirect taxes. State guarantees regarding benefit levels have been taken as binding, and public sector deficits have at times been increased owing to prior commitments to public pensions, health care or unemployment benefits. The converse is also true: since the mid-1970s, the growth of social expenditures in the developed countries has been constrained by macroeconomic considerations, in spite of pressures generated by emerging needs and past social commitments.

On the demand side, that is in terms of benefits and who should get them, there has been an equally significant change of focus. More emphasis is now placed on social need as a criterion for entitlement, independently of either contribution history or the contingency which gives rise to the need, although both of these remain important. Need, in this sense, has been generously interpreted in relation to the living standard of the rest of the community (for example, in defining the socially acceptable level of minimum household income), or in terms of the individual’s previous income history (in setting replacement rates for old-age, invalidity or unemployment benefits), or in terms of some generally accepted entitlement to a social service such as health care or education. Participation is no longer restricted to those in full formal employment, but has gradually been widened to include other labour market and social groups, such as the self-employed and part-time and intermit-
tent workers. In addition, women have gradually begun to build up individual entitlements to social security, independently of those of their husbands.

This broader view has allowed countries to react, for example, to the income needs of the young unemployed, to provide support for single-parent families, to extend health care coverage to those outside the formal systems of health insurance, to provide early retirement schemes to older unemployed workers, and to extend long-term health care beyond the point which would normally be covered on a contributory basis. Such extensions of social security go beyond the direct links between contributions and benefits, to the point where society as a whole accepts a general responsibility for its disadvantaged members, irrespective of cause, and measures its response in terms of needs rather than entitlements.

It is clear that this wider conceptual framework corresponds more closely to the objectives embodied in declarations of human rights. The industrialized countries which have developed such schemes are now coming close to the criteria established in international statements of intent and principle and in ILO Conventions relating to social security. But this development has taken place only over the last four or five decades and only in the industrialized economies. It has been shaped by their particular needs and circumstances: by changes in the structure of families and the labour market; by the growth and high level of general incomes; by good governance; and by the absence of large-scale informal employment. Although existing levels of unemployment are relatively high, they are not so high as to threaten the complete viability of the schemes, nor do they reach the magnitudes found in developing countries.

By and large, these developments in the industrialized economies are mirrored in the developing world. Few developing countries are
without any form of social programme. But in most developing countries the existing framework corresponds to that found in the developed countries some 30, 40 or even 50 years ago. The evolution of their social security programme is slow. For the most part, their schemes are still linked to the limited concept of social insurance for employed workers, and consequently exclude large sections of the population and do not provide full coverage for the principal contingencies set out in Convention No. 102. Where some generalized or universal schemes exist, for example in the area of health care, developing countries do not possess the means to make them effective. Further evolution towards the goals set by international standards, or towards the universal systems of social protection established in the developed countries, is blocked by a number of constraints.

CONSTRAINTS

The ability of social insurance or social security programmes to extend their coverage to the population at large depends upon a wide range of factors.

One of the most important of these factors is the proportion of the active population employed in the formal or modern sector, in other words, workers who can be identified and whose earnings can be monitored. From the standpoint of contribution-based schemes, this is the pool of potential contributors and beneficiaries, and at the same time the revenue base which might be used to finance universal benefits, such as basic health care schemes, for the whole population. In the developed countries, this proportion is very high, and the same is largely true of the Central and Eastern European countries in transition. In these countries it is therefore possible to
provide wide coverage of the population, whether through tax-financed measures of social protection or through more conventional social security mechanisms.

The situation is very different in most developing countries. For the African region as a whole, less than 10 per cent of the active population is employed in the formal sector. In other regions the proportion is somewhat higher, but developing countries, as a whole, face the simple arithmetic dilemma of possessing neither the basic framework to establish a self-balancing network of contributors and beneficiaries, nor a revenue base from general taxation which is sufficient to provide benefits on a universal basis. Indirect taxes – which are easier to monitor and collect – can in some cases help to fund general schemes (as occurred in a number of oil-exporting countries during periods of high oil prices). But in general, the size of the modern sector determines the extent to which developing countries can provide coverage to the entire population. For many, the compromise which has emerged is limiting social security measures requiring cash benefits (old age, invalidity, industrial accident) to formal sector workers and their families, while using available general resources to provide basic health care services on a universal basis. Because of limitations on general revenues, such services are often low in quality, badly distributed and difficult to access. What is particularly worrisome is that over the last decade or so, and under the pressure of adverse economic conditions, the size of the formal sector has declined and, with it, the proportion of the population which is covered by measures of social security.

There does not appear to be any easy way out of this dilemma – as I pointed out in my Report to the 1991 Session of the Conference. One possibility might be to seek frameworks outside the system of formal employment which would permit groups of contributors and
beneficiaries to be defined. Local communities, cooperatives, trade, cultural or religious organizations might be sufficiently tightly knit to provide the necessary identification and organization of participants. But so far, no such scheme has been launched on any significant scale, and it is unlikely in any case that isolated efforts would be able to bring into the net anything but a small fraction of the uncovered population. For almost all developing countries, a large-scale extension of the formal sector is a fundamental prerequisite for the further development of social programmes.

A second major constraint in many developing countries has to do with the efficiency and effectiveness of the social security institutions charged with the task of collecting contributions and paying benefits. Social security programmes are by nature complex. They rely upon accurate reporting on the part of employers concerning the number of workers engaged, their salaries and other data (age, family status, period of employment, previous employment) relevant to the contribution which should be paid and, eventually, to the entitlement which can be expected. Social security institutions are charged with identifying all such employers and their employees, and with keeping accurate records for each. Employers must be required to pay promptly and in full; likewise, benefits must be distributed promptly and efficiently to recipients who qualify, and their qualification or entitlement must be verified. At the same time, the social security institution must strive to minimize its own transactions and administrative costs, and to manage the scheme’s funds in such a way as to provide for the expected long-term benefits.

In many developing countries these arrangements simply do not function, or function so badly that the scope and effectiveness of the scheme falls far short of full coverage of the formal sector. The schemes do not collect all the revenues due to them, nor do they pay
all the benefits which they should. Revenues which are collected and benefits which are paid are frequently subject to long delays. The administrative charges deducted by the schemes are frequently very high – in the order of 15 to 20 per cent of premiums paid, compared to 3 to 4 per cent in developed countries. In some countries corruption is an important cause of the malfunctioning of the social security system. The financial management of social security funds is frequently hampered either by the non-existence of adequate financial markets or by requirements to invest in public bonds at negative real rates of interest. The computer technology required to maintain records – and to identify delinquent employers or overdue beneficiaries – is often absent or inadequate. Of special importance is the fact that where social security institutions are in effect obliged to subsidize the financing of other public expenditures (including the military), they are often unable either to provide the benefits to which they are committed or to ensure their subsequent indexation in an economic climate where inflation can halve the value of a pension in a single year.

It is a moot point whether these deficiencies of governance should be regarded as an insuperable constraint – because they are part and parcel of the general climate of the country concerned – or whether they should be regarded as obstacles which can and should be overcome as a prerequisite to a fully functioning social security system, albeit within the limitations imposed by the size of the formal sector. One thing is clear, however: questions of management efficiency, financial strategy, personnel training, the elimination of corruption, technical (including computer) competence, record-keeping and, above all, transparency, are issues which can be tackled on a case-by-case basis, and areas in which the experience of developed countries is both relevant and transferable.
The third major constraint is essentially social and political. Income in many developing countries tends to be more unevenly distributed than in developed countries, and this is often reinforced by a disproportionate access to political power and influence. The most influential groups are frequently those associated with employees in the formal sector and those who already enjoy a substantial measure of social protection, such as public servants. The question concerns the extent to which the prevailing political forces are willing to accept a redistribution of income through programmes of social security. Where benefits and contributions are more or less proportional to earnings, and where social security schemes are more or less self-financing – as is the case in old-age pensions, invalidity and accident compensation – there may be little resistance to change. But where the development of a social security system implies a redistribution of resources from one economic group to another – for example, in the provision of generalized health care services, in protection against poverty in general, or in the enhancement of basic education and vocational training – tensions are likely to arise. In such situations there is a temptation to develop multi-tiered health care services under which the level of provision is essentially related to the value of contributions, and which permit the more affluent, more secure workers to opt out in favour of their own enhanced scheme. It is therefore difficult to persuade those in a comfortable position to push for the extension of social security to the uncovered and significantly poorer sections of the population who are unlikely to be able to pay their own way, all the more so when it involves direct social expenditures out of public budgets, to which the more affluent social groups are the largest contributors.
Strategies which offer a means of weakening these constraints – for example, expanding the framework offered by structures of formal employment; improving the administrative, financial and managerial efficiency of social security systems; or promoting a greater commitment to solidarity between the different social and economic classes – can help the systems of social protection of developing countries to move towards the objectives of international Conventions and Recommendations.

OLD-AGE PENSIONS

The provision of old-age and survivors' benefits is based on a long-term social contract between the active population, on the one hand, and, on the other hand, those who are too old to work but who once provided support to their own elders. The contract may take many forms, both implicit and explicit, and there is no single formula which emerges as the principal prescription for all countries and all times. What it essentially involves, however, is a commitment on the part of the active population to support their parents, in the expectation that they in turn will be supported by their own children. This is an ancient concept, dating back millennia; but what is characteristic about recent developments is the depersonalization of the relationships. In the developed countries, for many decades now the elderly have depended not upon the support of their own children, but upon general support from pension institutions and from the community at large. Similarly, in many developing countries the process of urbanization and the development of urban employment has weakened the direct family or tribal links on which old people previously relied; increasing emphasis is now placed on formal
Social insurance and social protection

arrangements to replace the previously intimate links of family or community.

Pension schemes have three main objectives:

- protection against poverty in old age;
- provision of a retirement income, usually expressed in terms of an appropriate replacement rate for the earnings lost at the point of retirement;
- protection of this income against the subsequent erosion of real living standards as the result of inflation.

A major issue concerning pension funds is their structure, and, specifically, the means by which they are financed. Although there are many variants, the choices centre around three main options:

- the role of the State, versus the role of private or occupational schemes;
- whether the schemes are to be fully or partially funded, or financed by the State on a PAYG basis;
- whether benefits are to be determined on a defined-benefit basis or in terms of defined contributions.

The public pension schemes of most developed countries are based on the PAYG system: benefits are partly universal flat-rate (as a protection against low incomes in old age), and partly related to earnings near the point of retirement (i.e. defined benefit). Such schemes collect whatever contributions are necessary to pay current obligations, but do not build up more than a basic working reserve. They are obligatory and government guaranteed; in effect, they are government programmes just like any other. Both contributors and beneficiaries trust the government to take whatever action is necessary (i.e. raise taxes or contributions) to ensure that benefits are paid
as they should be, including any increases needed to keep pace with inflation. The advantage of PAYG schemes is that contribution rates, particularly during the years before the schemes have acquired a measure of maturity, are lower than they would be in, say, a fully funded scheme, since it is not necessary to build up a capital reserve. Moreover, the level of benefits is independent of the performance of capital markets and the investment skills of the pension fund manager. Obviously, however, such schemes must be public enterprises and participation must be obligatory. They can provide a degree of solidarity to lower paid workers through the universal flat-rate component of the pension structure, but they also tend to be biased towards workers whose earnings increase substantially at the end of their careers, since such earnings are disproportionately reflected in the subsequent pension.

Fully funded pension systems, often of the defined-contribution type, are an alternative means of financing to the PAYG method. Occupational and private sector schemes must be fully funded since they do not possess the global guarantees of the public systems. In defined-contribution schemes, the contributions (of employees and employers) are cumulated in individual accounts in the fund, acquire interest during the working lifetime of the contributor, and at retirement may be used to purchase an annuity. In defined-benefit schemes individual contributions, accumulated with interest up to the retirement age, are intended to match the estimated cost of the corresponding retirement benefits. Such schemes are divorced from direct government guarantees; they depend instead on the financial markets to ensure the necessary rate of return. The resulting pension reflects both contributions and interest receipts over the whole of the working life, not just earnings in the years immediately prior to retirement. These schemes, however, usually lack the solidarity
associated with universal, flat-rate, anti-poverty benefits. They have the advantage of a natural transparency: like a bank account, the contributor can at any time see the value of his contributions and interest, or recognize his vested benefits. But in contrast to the PAYG schemes, even when the scheme itself is very young (i.e. it has not yet accumulated many pensioners), contributions must be set at a relatively high level and it is necessary for the pension scheme to build up a substantial reserve fund. Finally, it should be noted that such schemes, unless they have access to inflation-proofed government bonds, which is rare, have very limited means of indexing the annuities or pensions which they are able to provide.

Between these two extremes there are all sorts of variations, many of which seek to modify the worst features of each scheme or to enhance the better ones. There is much debate concerning the relative merits of the two approaches, especially as regards their effects on aggregate national savings and on the labour market, and concerning which of the two offers consumers greater choice and lowest operational costs.

In recent years pension systems in the developed countries appear to be moving towards a three-tier structure which attempts to amalgamate the best elements of the different possibilities. Such arrangements include:

- a basic, universal, flat-rate pension provided by a compulsory public scheme;
- a public, and again compulsory, defined-benefit (i.e. earnings-related) scheme financed on a PAYG basis from social security contributions levied as payroll taxes on both employers and employees;
– a voluntary, fully funded, defined-contribution scheme, whether individual or enterprise- or occupation-based, for individuals who wish to supplement the State’s basic and earnings-related schemes.

Underlying this evolution is the view that such an arrangement provides the necessary protection against poverty in old-age for those who cannot provide for themselves, ensures that short-sightedness does not result in large numbers of elderly remaining entirely dependent on the State, and provides the vehicle and the incentives (together with the added advantage of increasing national savings) for individuals who wish to supplement the compulsory schemes. The three-tiered structure also spreads the risk: whereas the State, by providing both a basic guarantee and a guaranteed income in terms of final replacement rates, absorbs most of the risks of the financial market during the worker’s career and retirement, the voluntary, defined-contribution component leaves the contributor to absorb any fluctuations in financial markets (good or bad) as far as the supplementary component is concerned.

The balance of risks, and hence the options concerning the structure of pension schemes, appears very different in the context of developing countries. During the last two to three decades, and largely because of the economic crises which have affected their economies and public finances, many developing countries have found themselves unable to meet their pension obligations, especially as regards the indexation of pensions. As a result, pension benefits in many developing countries have dwindled to the point where they provide little or no income support for past contributors or fall below the poverty line. Even where pension schemes in developing countries have been fully or partially funded, rates of
return have been insufficient to ensure adequate pensions. As a result, neither schemes which have relied for support on general revenues nor those which have relied upon funding and financial markets, have been able to provide adequate or equitable levels of benefits, even to the thin segment of formal sector participants.

The situation in developing countries has commonly been exacerbated by a long-standing need for a reform of the institutions and mechanisms of social protection themselves. Although many developing countries have a long history of social security institutions, their development has been neglected over the decades and they lack the capacity to respond to the needs of their clients, particularly in the context of an adverse general economic climate. Coverage of the population is inadequate, the number of contingencies covered is in many cases limited, benefit levels are usually very low, and access to the schemes is almost invariably limited. In many cases the administrative functioning of the schemes has declined to the point where they are incapable of achieving even the limited potential which current circumstances might permit. High administrative charges, evasion, lack of compliance on the part of contributors, ineffectual and late payment of benefits, inability to adjust for inflation, absence of efficient record-keeping and, in some cases, outright corruption have added to the problems caused by the challenge of implementing pension schemes in circumstances to which they are not well suited.

Two further issues which affect pension schemes in developed and developing economies alike are demographic change and the need to adjust the retirement age.

The cost in real terms of providing for dependent elderly people is fundamentally linked to the ratio of the number of people of active working age (broadly speaking, those between the ages of 15
and 65) to the number of the elderly (those over 65). In the de­vel­oped countries, as is well known, that ratio has declined rapidly over recent decades, largely as a result of an earlier decline in birth rates, but also because of an increase in longevity. From an average of 7.5 individuals of working age per person over 65 in 1960, the OECD average has successively declined to 5.6 in 1980, to 5.4 in 1990, and is expected to fall to 3.8 by the year 2020. By the middle of the next century there will be just over two persons of working age per person over 65. A similar trend is occurring in developing countries: populations are ageing because of declining birth rates and increasing life expectancy. But in developing countries the initial population structures are generally much younger, and although the levels of old-age dependency will increase over the next half­century, they will not represent as heavy a burden as that which is now projected for the developed countries.

Other things being equal, these developments will entail a comparable increase in contribution rates, especially in PAYG schemes, if benefit levels are to be maintained. Since contribution rates are already fairly high – on the order of 9 per cent of GDP throughout the developed economies – any increase in taxes or contributions would represent a heavy burden for future generations of workers. However, a number of other factors might act to offset these effects. First, the growing proportion of women participating in the labour force will tend to add to the contribution base; this trend has already been under way for some time. Secondly, an increase in the average age of actual retirement or, alternatively, an increase in the age of entitlement to a public pension, would take some pressure off pension schemes; recent developments, however, have been moving in the opposite direction: increasing affluence, coupled with a declining labour market, has induced increasing
numbers of workers in industrialized countries, especially men, to take earlier rather than later retirement. Lastly, greater emphasis on voluntary, fully funded retirement schemes may encourage savings and capital accumulation; this would help to pay for the future wave of retirees, but only to the extent that the additional savings are successfully converted into faster economic growth.

HEALTH CARE

Ill health can affect anyone; in addition to discomfort, it can impose substantial and sometimes potentially catastrophic costs on workers and their families, both in terms of the expense of the necessary health care and in terms of lost earnings. Although the overall incidence of ill health is correlated with a number of social and economic factors, it strikes individuals independently of their income or ability to pay for treatment. Mutual insurance against this risk is an obvious social need; for this reason, the provision of health care is a major aspect of social protection. It is also the subject of a number of international labour standards.

In general, the issues surrounding the availability, financing and delivery of health care are similar in nature to those of other social programmes. They include:

- the need to extend health care coverage to the whole of the population and to ensure universal access to basic health care;
- the design of appropriate financing mechanisms (tax-based, contributory or voluntary) which ensure mutual protection between members of similar socio-economic groups and which embody a significant degree of solidarity between different income and age groups;
– the establishment of efficient and effective means and institutions for the financing as well as delivery of health care services.

The pursuit of these objectives is far from simple, and the contrast between developed and developing countries, so prevalent in other areas of social protection, is particularly sharp in the area of health care.

Although the need for health care is universal, national expenditure in this field is closely linked to the level of income. Developed countries on average spend around 8 per cent of GDP on health care; while expenditure in developing countries rarely reaches 4 per cent of GDP, usually ranging from 2 to 3 per cent. In developed countries over the last four to five decades, expenditure on health care has risen a great deal faster than GDP; it is only in the last ten years, and with considerable effort, that these countries have managed to contain costs more or less in line with the growth of GDP. In the developing countries, on the other hand, expenditure on health care, particularly public expenditure, has risen more slowly than incomes over the last two decades, largely because of economic crises, budgetary constraints and the weakness of social security mechanisms.

Thus, as far as health care strategies are concerned, there are two distinct worlds and two separate sets of issues.

On the one hand, the developed countries have achieved universal access and high-quality provision at virtually no cost to the recipient, but with high and rapidly growing costs to the community at large. For these countries the chief concerns are now those of cost containment and improvements in the efficiency and effectiveness of the treatments provided. If anything, health care in such countries is overfunded. The provision of individual services is in general well
managed, but there may be an excessive utilization of services as a whole (a result of pressure from the health care providers). In addition, broader concerns remain regarding the allocation of resources in general, and whether or not the systems as a whole are providing adequate value for money.

Health care in the developing countries, on the other hand, is underfunded. Severe limitations on the finance which can be obtained from general (tax-based) revenues mean that even where countries attempt to put in place universal health care schemes, the level and quality of services and benefits is extremely constrained. For the poor, access is limited essentially by queuing, by restricting health care to the most urgent cases, and sometimes by imposing co-payments on patients who do not have social security coverage in order to limit demand. Pharmaceuticals and technically advanced personnel and equipment are scarce. Many countries which have attempted to establish basic universal health care schemes have been obliged to develop other tiers of health care services, such as those associated with the social security coverage of formal sector workers, or private sector health care insurance for those who can afford it. In these circumstances it is very difficult to build into the overall structure of health care the necessary cross-funding between the various income and social groups, and thus to reinforce the lower levels of health care. Better paid workers in the formal sector, particularly those employed by the public service, the military and large private sector enterprises, are reluctant to commit themselves, either as contributors or as patients, to the poorer quality, delays and inefficiency associated with the general schemes. Governments also face budgetary difficulties in allocating resources to public health projects, such as sanitation, the provision of clean water supplies, or the prevention of generic diseases. But in contrast to the situation in
developed countries, the value for money of additional health care expenditures in developing countries is not in question: recent World Bank studies suggest that for poorer countries, expenditure to improve or expand health care services is one of the most reliable and profitable investments available.

Nevertheless, the development of health care services in both developed and developing countries is influenced by several characteristics unique to health care which explain, in part, why rich and poor countries alike find it difficult to achieve levels of health care consistent with their needs.

All public health care systems have great difficulty in defining the package of benefits which they are able to support on the basis of a given level of revenues, whatever the source of financing. Most public health care systems in the developed countries are open-ended in the sense that their liabilities are defined by the technologies available and the use which health care professionals wish to make of them. Since technology has continued to evolve (at great cost, but also with great success), and since the system of medical reimbursement places little constraint on the use of services by doctors, contribution rates have risen rapidly to keep pace with rising expenditures. Developed countries are attempting to reform their systems by introducing elements of market efficiency ("managed competition") without sacrificing the principles of universal access and free, or nearly free, treatment. It is not clear yet how successful these reforms will be.

At least in their general schemes, developing countries do not have the option of continually raising contribution rates or of providing increasing levels of general resources. The balance between demand and supply is achieved by administrative rationing
at the point of service, usually in the form of queuing, but also by reductions in the quality of service.

In formulating national strategies, both developed and developing countries need to take account of the supply of health care professionals, and the capacity of the system as a whole. In developed countries the cost-containment programmes installed over the last ten to 15 years have managed to reduce pressures on costs, and there is now an excess of doctors and hospital beds. Developing countries, on the other hand, usually lack a sufficient supply of qualified personnel, equipment and drugs, so that even in situations where the overall level of health care expenditure is very low, attempts to increase expenditure without a parallel increase in real resources place pressures on the cost (i.e. price) at which the additional services can be supplied.

Of particular concern to both developed and developing countries are the uncertainties surrounding the health care process itself. Consumers are generally fairly ignorant about the pros and cons of the various treatments which may be offered to them, and even more so about costs and long-term implications; to the extent that costs are financed by the State or third-party insurers, consumers may not care very much about them. Among practitioners, there is often little professional consensus about the outcomes to be expected from different medical interventions, especially the more sophisticated ones; moreover, there is little empirical evidence which can be used as the basis for cost-effectiveness analysis. Thus, for the lack of anything better, many assessments concerning the development or application of new treatments are based on the efficiency of inputs rather than outputs, or simply on the non-quantitative assessments of the profession.
UNEMPLOYMENT COMPENSATION AND SOCIAL SAFETY NETS

In virtually all societies, unemployment is associated with hardship, sometimes prolonged, and often shared with other workers made unemployed by the same economic forces. But the needs to which this contingency gives rise, and the consequent measures of social protection, vary between the developed countries, the countries in transition to a market-oriented economy, and those, most often developing countries, engaged in programmes of structural adjustment.

In the developed countries

The rise in unemployment which the developed countries experienced from 1975 onwards provided a major challenge to the systems of unemployment compensation which they had built up and enhanced over the three previous decades, and which had worked well during a period of continuously high employment, when unemployment was largely frictional and cyclic rather than structural. Although systems of unemployment compensation had existed in the developed countries since the turn of the century, their benefits were by and large confined to workers who had had jobs for a considerable time, and who had contributed to unemployment insurance schemes. Entitlements were relatively strict; the schemes applied mostly to occupational groups which were relatively well organized and in which employment was relatively steady. Benefits were usually paid at a flat rate and for a limited duration, varying from a few months in some countries to a year or more in others. During the 1940s, 1950s and 1960s these schemes were developed and enhanced: their scope was gradually extended to all occupations, the
duration of unemployment compensation was increased, benefits were improved and the flat-rate benefit gave way to earnings-related benefits – at replacement rates which in many countries were very generous. The State assumed responsibility for the schemes' deficits, if any, even where (as in France) the old system of employer and employee contributions still remained in force. But many of the original restrictions remained, particularly those relating to eligibility, and as the level of unemployment rose (from less than 5 per cent of the labour force in 1950 to over 12 per cent in 1982), many men and women who were unable to find work were excluded from the system for lack of entitlement. They were forced instead to rely on means-tested social assistance programmes which were not as well organized (frequently they depended on local rather than central authorities), were subject to a large degree of administrative discretion, and provided much lower benefits. In time, such individuals came to be known as the "new poor", not only because of their inability to find stable employment, but also because of the low level of support they received from the community.

A number of factors influenced this mismatch between the generous schemes of unemployment insurance developed in the previous 30 years and the social needs for income support which emerged after the mid-1970s. In the first place, the structure of large-scale unemployment, when it occurred, was unexpected. Unemployment in the first instance was concentrated among the young (frequently, school-leavers without job experience), older workers (particularly unskilled older workers in heavy industries in the process of rapid decline, such as mining, steel, shipbuilding), part-time, casual and intermittent workers with little accumulation of entitlements, and the long-term unemployed, whose capacity to find a new job deteriorated the longer they remained unemployed. Prime-
age male workers, particularly those who had acquired transferable skills related to new technologies and to the service industries, were relatively unaffected.

Secondly, the unemployment compensation measures built up during the 1950s and 1960s presupposed a family structure – the nuclear family with a single male earner – which was rapidly becoming anachronistic, owing to rising rates of female participation in the labour force (including married as well as single females), and rising divorce rates, leading to greater numbers of single-parent families.

Thirdly, the distribution of earnings widened in the 1980s: workers with skills, qualifications and experience gained substantially more in terms of wage increases and earnings profiles than workers with minimal qualifications, and faced a correspondingly much lower risk of unemployment. In spite of the generally weak labour market which has prevailed since the mid-1970s, households comprising both male and female professional earners have done very well. But households which broke up, or in which either partner held weak educational qualifications, have been at high risk of unemployment and in need of income support.

This changing need for support – from a system of unemployment insurance to a more encompassing social safety net – has been one of the features of social developments over the past ten years in developed countries, and has still not been fully resolved. There are two main trends.

One trend is the shift in emphasis from entitlements towards needs, whatever the contingency or its cause. The debate is still on, but most countries have developed ad hoc systems which attempt to provide a minimum, means-tested income to those excluded from employment and earnings. The corresponding measures have
included the introduction of early retirement schemes for older unemployed workers, easier criteria for the granting of invalidity benefits, public work programmes and initiatives for the young, and some form of family support for single-parent families. Most of these measures have been attempts to repair tears in the safety net, without involving a complete reconstruction of the net itself. There has also been some discussion, particularly in continental Europe, of the advisability of establishing a minimum social income, universally available to all on low incomes or without work, but no consensus has yet been reached.

A more positive trend has been the development of programmes which might enable those excluded from the labour market to become reintegrated, and hence independent of passive income support. This approach often links the necessary income support with the provision of job-search, assistance or advice for those willing to consider self-employment, as well as basic and vocational training. The universal guaranteed minimum income (means-tested) can then be set at a relatively low level for those with the capacity for self-advancement, and coupled with premiums conditional on job-search, mobility, education and training. The labour market measures adopted by a number of developed countries increasingly reflect this kind of integration of policies (one of the best examples is the French revenu minimum d'insertion). In effect, the hope is that the provision of basic income support, combined with supplements for engaging in retraining and other labour market measures, will provide both the incentive and the means to move from dependence to full insertion in the labour market.
The issues

In countries in transition to a market-oriented economy

The problems noted in the context of the developed countries concerning the evolution of systems of unemployment insurance towards a wider concept of social safety nets, and, in addition, the integration of passive measures of income support with proactive measures of labour market policy, training and education, all have a particular and imperative relevance to countries engaged in the transition from a planned economy to a market economy, especially those in Central and Eastern Europe.

As enterprises are restructured and privatized, they will require a functioning set of labour markets for the efficient allocation of labour. Up to now, labour has not been allocated efficiently, and this aspect of the transition will cause considerable turbulence. Massive labour shedding will occur as firms reduce the size of their workforce, change activities or simply go out of business. Even in the best of scenarios, many workers will have to leave their present employment. In a worst-case scenario, those who become unemployed may remain so for a long time before finding another job, particularly if enterprises are slow to reshape or reform, if new enterprises do not develop quickly, or if the process of transition throws the economy into a major recession.

Thus, countries engaged in this transition must urgently develop a safety net which provides at least a minimum household income for those below the poverty line. It is clear, however, that the scale and the speed of events preclude a return to contribution-based unemployment insurance as a means of providing income support, for there will simply be too many unemployed and too few viable employers and employees. The State must assume the full responsibility and must be prepared to finance fully and directly the income
transfers which will be needed if major hardship is to be avoided. In addition, these countries must pursue vigorous labour market and training policies which ensure that periods of enforced unemployment are as short as possible. In this area, the growing experience of the developed countries may be of some use, particularly as regards the development of employment and training programmes and the integration of passive and active support measures for the unemployed.

In countries undergoing structural adjustment

During the 1980s many developing countries adopted programmes of economic stabilization and structural adjustment, either in conjunction with the World Bank or the International Monetary Fund, or at their own initiative. The main purpose of the stabilization programmes was to correct short-term imbalances, such as large external or domestic deficits or excessive rates of inflation, through fiscal and monetary constraint. Structural adjustment policies were aimed at longer-term goals and the elimination of economic distortions, many of which had grown up over a considerable period of time and led to a fundamental misallocation of resources within the economy. The removal of such distortions was expected not only to bring about a lasting improvement in economic performance but also to improve prospects for long-term economic growth by bringing domestic prices and economic structures into line with world prices and trade. Measures involved in structural adjustment processes include the adjustment of exchange and interest rates, the removal or adjustment of import tariffs and quantitative controls, the elimination of export subsidies, the removal of domestic price controls and subsidies on basic commodities, the
removal of subsidies (and the consequent winding down) of paras­
tatal enterprises, and the deregulation of markets, in particular labour markets.

Whatever the long-term benefits of these measures, it is clear that in the short term they have been associated with considerable social distress, partly because they have lowered living standards to more realistic and viable levels, and partly because they have entailed fundamental changes in economic structures and in the rules of the game, to which many social groups have found it difficult to adapt. Most structural adjustment programmes have involved substantial labour shedding in the public service, in parastatal enterprises, and among previously protected private enterprises which lost their competitiveness under the new economic regime.

To what extent is it possible to provide a safety net, or at least some modified form of income protection, for the vulnerable groups which are most affected by the process of adjustment? Unfortunately, the experience of developed countries with their own unemployment compensation schemes and social safety nets does not appear to be directly transferable. Developing countries with limited sectors of formal employment do not have the capacity to engage in unemployment compensation or unemployment insurance on any significant scale, although it is true that many of them have instituted forms of lump-sum compensation for public sector workers who become redundant. Nevertheless, there would seem to be two other avenues.

One is to review the process of structural adjustment; perhaps certain modifications might soften the social impact of structural adjustment policies, without undermining the process itself. In some cases it may simply be a question of timing: a slower pace of adjustment might provide greater possibilities for adjustment (for example,
on the part of low-income peasants) and at the same time allow urban food consumers to adapt to the changing prices of basic necessities. It might also be possible to limit the initial impact of structural adjustment programmes to some of the key economic parameters – exchange rate, tariff or interest changes – and to introduce some of the more fundamental changes – for example those affecting the food supply – more gradually.

The other avenue, and perhaps the more promising one, involves measures which combine a degree of income support for those who become unemployed (either as a result of direct labour shedding, or because of a general, if temporary, deterioration of the economic situation), with measures aimed at employment creation, the creation of new enterprises, and the training and vocational education of potential workers. Such measures would clearly promote the reintegration of unemployed formal sector workers back into the formal sector. The main challenge, however, will be to extend basic education and training beyond the formal sector, to the population at large.
THE AGENDA FOR STRATEGY

This final chapter attempts to delineate some of the main strategic areas which will need to be tackled if social protection is to become more meaningful to a wider section of the world population, and its application closer to the ideals set out in the international declarations and standards.

EXTENDING COVERAGE AND IMPROVING BENEFITS

Perhaps the priority requirement for all countries, except those industrialized countries whose major social programmes have already achieved nearly universal access, is to extend the coverage of their main schemes of social protection and social security to the whole of the population. This applies not only to pension, health care and unemployment compensation schemes, but also to employment injury, invalidity, sickness and survivors’ benefit, and in some cases maternity, family and death benefits.

The main constraints to this strategy are, of course, the size of the formal sector and the size of the tax base: the former limits the extent of contributory social security schemes, while the latter limits the scope of non-contributory programmes financed from general revenues. For the purposes of social protection, both of these limits need to be pushed back as far as possible, not only in order to extend the provision of social protection, but also to ensure other
community services such as universal education, social infrastruc-
ture and general services. These constraints, however, rest essen-
tially with the state of economic development, and are not likely to
respond to social protection measures alone.

Measures other than conventional measures of formal social
security need to be tried. In particular, governments should
endeavour to support any and all social groups which are able to
provide the necessary framework of social solidarity and mutual
insurance and protection. Such groups might include local communi-
ties, cooperatives, religious organizations, friendly societies or other
ad hoc organizations. To promote their usefulness as vehicles of
social protection, it is obvious that less formal mechanisms will need
to be designed, even if this means some relaxation of administrative
controls and procedures. In addition, every effort will need to be
made to make use of the extended family, and to reinforce what is in
effect the default means of social protection for by far the greater
part of the world's population.

ENHANCING BENEFITS AND ACCESS

Coverage alone is not enough. Benefits, whether in the form of
cash benefits for old age, invalidity, accident or family, or social
services such as health care, must be at least of sufficient value
to provide a significant alleviation of the hardship arising from the
contingency. Again, the principal constraints concern the size of the
formal sector and the tax base. Benefits in adversity need to repre-
sent a significant proportion of normal income; at the very minimum
they must suffice to guard against deprivation. This requires not
only the existence of an appropriate framework for social protection,
but also the active promotion of mechanisms of solidarity between the more affluent and the poorer sections of the community.

REFORMING INSTITUTIONS AND MANAGEMENT

Even when confined to the formal sector, many systems of social protection fall short of providing either full coverage or adequate benefits. The reasons, as outlined earlier, have mainly to do with the institutional structure of the schemes and with their administration and management.

In institutional terms, there is a strong case for some separation of functions between the government and the social security agencies charged with delivering social protection, and for entrusting a greater degree of control and authority to the representatives of those most directly affected by the schemes, in other words, employers and insured persons. In particular, constitutionally established tripartite supervisory agencies should be able to exercise arms-length control over the various agencies responsible for delivering social protection, with a view to limiting deficiencies in administration and management. There is probably some scope for integrating such control over public schemes with similar mechanisms which already exist in many countries to prescribe standards and monitor the performance of private schemes.

In developing countries, statutory schemes operated by the government or by public corporations are often regarded as inefficient in comparison with private pension funds or occupational pension schemes. While the much larger scale of the public schemes makes this comparison unfair, there is considerable scope for providing better service. Efforts could focus on radical administra-
tive reform or recourse to private sector management expertise and experience, with appropriate statutory controls.

It is clear that many public schemes have experienced difficulties because of the scale and complexity of their administrative systems as originally set up, or as expanded in an effort to meet perceived deficiencies. Hence, it is essential that schemes be designed in such a way as to strike the right balance between the needs of the beneficiaries and the capacity of the administration to deliver the corresponding services. Some of the ingredients for increased capacity are within reach, especially where they simply depend on management initiatives; more often, however, they require gradual improvements in conditions of service, training and equipment.

FLEXIBLE STRUCTURES

Although social protection systems should be designed in the light of specific socio-economic contexts, there are some basic themes which are common to all systems. Responsibility is ordinarily shared between the individual, the employer, the family and the State. Fulfilling this responsibility implies some reallocation of resources to support measures aimed at ensuring the continuity of an acceptable standard of living. This reallocation may involve resources controlled by the individual (savings or the purchase of medical insurance or a pension plan), the employer (wages, benefits and conditions of service), the family (income and savings), or the State. The extent of the reallocation will depend on both the resource capacity and perspective of all concerned, but should nevertheless include provision to ensure a basic standard of living, with such supplements as may be needed to minimize the consequences of adverse contingencies.
One of the basic requirements of social protection policy is to preserve the delicate balance implied by this notion of shared responsibility. Thus, attention should also be paid to the encouragement of individual thrift and initiative, the traditional strength of family or community support, as well as the development of institutionalized schemes based on national or group solidarity. Similarly, private pension funds and insurance schemes may have an important supplementary role to play which should be recognized in a partnership with the public sector.

Given the need for each country to find the appropriate blend of responsibility, and to match it with available resources in order to produce a social protection strategy which complements economic policy and human resource development, it is not possible to prescribe detailed structures which are applicable everywhere. Nevertheless, several aspects emerge from this notion of shared responsibility which, with due allowance for considerable flexibility, could result in the following tiers of protection:

The basic tier

A basic universal support system, financed from taxation and administered by government, would aim at providing services to meet basic needs, as well as a guaranteed minimum income, related to subsistence levels, on a means-tested basis. While this tier should be regarded as a basic component of social protection strategies, for most developing countries the provision of a realistic guaranteed minimum income would have to be a long-term objective, owing to their limited resources.
The solidarity tier

A compulsory defined-benefit tier, financed from a public fund made up of contributions paid by employers and insured persons (or conceivably from taxation), would provide benefit, subject to qualifying conditions, in the form of periodic payments in respect of prescribed contingencies, at least to the minimum level envisaged by ILO Conventions. The tier might consist solely of an earnings-related scheme with benefits and contributions based on a prescribed percentage of earnings.

Alternatively, there might also be provision for a minimum benefit or a separate flat-rate component which would have the effect of enhancing the solidarity base of the tier, and thus offset its otherwise regressive effect. The flat-rate component could cover long-term contingencies such as old age, invalidity, disablement and bereavement. By virtue of its simplicity and uniformity, it would facilitate coverage beyond the formal sector labour force.

The method of financing would require a flexible approach. Between the basic choices of pay-as-you-go or full funding there are a range of options based on partial funding, which would enable the financial system to be tailored to the circumstances, and to take into account such factors as the scope of the available capital market for investment, the capacity for the payment of contributions and the desired level of resource transfers between generations.

The complementary tier

. The desired division between public and individual responsibility would be reflected in the range of benefits not provided under the solidarity tier, thereby determining the need for complementary initiatives to be taken either by the individual, whether alone or in
association with others, or by employers on behalf of employees, whether directly or through private pension funds or commercial insurance. The essence of this tier should always be to provide a supplementary component, tuned to the needs of the individual, which would build on the cornerstone of social protection based on solidarity without, however, detracting from it. Although such initiatives would essentially be open to individuals and/or their employers, it would be necessary to provide statutory controls to ensure that schemes comply with acceptable standards as regards investment practice, portability of rights, accountability and administration. In many developing countries, however, low incomes offer little scope for voluntary social protection; moreover, the history of public schemes does not inspire public confidence. Transparency, and the incentives associated with individual pension accounts may be needed to give this tier any chance of success.

The importance of flexibility cannot be emphasized enough: indeed, the scope of these tiers and their articulation within a national social protection strategy should respond to national needs, constraints and possibilities. Nevertheless, the concept of solidarity should be a basic foundation of any such strategy.

While it can be reasonably portrayed as the responsibility of government to provide access to adequate basic medical care from general taxation, the capacity to do so will depend on available resources relative to need. In many countries it will be necessary for this responsibility to be shared with individuals and their employers. Cost-recovery at the point of delivery is one option, but it offers limited scope since it imposes a potentially heavy burden on a beneficiary who has made no advance provision or is unable to do so. Compulsory health insurance offers better prospects of raising additional finance while also providing guaranteed entitlement to
adequate medical care; such schemes are based on social insurance principles and depend heavily on the same requirements: administrative efficiency and access to a section of the population which can provide sufficient contributions. Particular attention must be given to controlling expenditure, for in this field neither those providing the medical care nor those receiving it have much incentive to do so themselves.

POLICY COHESION AND THE ROLE OF GOVERNMENTS

Governments have a fundamental responsibility to ensure a basic standard of living for their people. However, within this overall acknowledgement of responsibility, there are difficult questions of balance to be resolved relating to the appropriate division between statutory and private provision, between providing a framework of protection and fostering self-reliance, between resources and needs, and between seemingly conflicting priorities. These questions must be addressed as part of the process of formulating a social protection strategy.

It is also important to achieve cohesion between the various components of a social protection system both at the policy and the operational level. This has not always been possible and, particularly in many developing countries, social protection schemes have developed over time as an ad hoc response to specific situations rather than as part of a comprehensive strategy. This is still common where schemes are devised and operated by individual sectoral government departments without any central planning and coordination. As a consequence, schemes compete with each other for access to available financing, and virtually identical administrative systems are established to operate separate schemes which provide benefits to
the same groups of people. It is clearly desirable to prioritize needs and to determine through the framework of a national strategy how such needs can best be met.

Furthermore, social protection policy must be viewed as complementary to economic and fiscal policy. Apart from the scope provided by social security to assist in the redistribution of wealth and to generate domestic savings and increase the capacity for consumption, there should be a relationship between efforts to improve overall living standards through economic growth, and efforts to ensure that no one falls below a minimum living standard in the interim. Safety nets and taxable incomes and social security benefits are interlinked. The structural adjustment programmes introduced in the 1980s in many developing countries were subsequently modified to provide for a social dimension to mitigate the adverse consequences brought about by the removal of social protection measures such as subsidies and price controls which had been sustaining living standards. Even now, this social dimension is often limited by a short-term perspective which is inconsistent with or unrelated to the need for a long-term social protection strategy.

The relationship between social protection schemes and labour market mechanisms also requires careful consideration at the strategic level. For instance, high unemployment benefit levels may act as disincentives to employment; and, in determining the appropriate age for the payment of retirement pensions, a balance has to be found between the higher cost of financing pensions from an earlier age and the scope for increased job opportunities that this would generate.

Similarly, poverty alleviation programmes, in general, need to follow a broad-based strategy which gives priority both to employment generation, vocational training and skill development, and to
social protection measures to provide a safety net for those for whom employment-oriented measures offer no immediate prospect of relief. In developing countries, efforts to develop skills and business capacity within the informal sector must be complemented by measures to provide a safe working environment and basic social protection against sickness and loss of income.
CONCLUSION

In this report I have drawn attention to a number of central features of social security and social protection: the prolonged but successful development of comprehensive systems of social protection in the industrialized countries; the lack of adequate levels of even basic social insurance in many developing countries; the great disparity between different countries in their ability to protect disadvantaged persons and their families; and the even greater gap, in most countries, between aspirations and reality. I have also discussed some of the major reasons for these disparities and pointed out some of the strategic, albeit technical, issues which will need to be addressed if the situation is to improve.

It seems clear that the development of social protection is a community affair. Outsiders can be of only limited help. Essentially, social protection involves the willingness of each individual in a community to contribute to the care of its members who are disadvantaged or need support – in the knowledge, of course, that he or she will receive similar support if and when it is needed. Thus, the first prerequisite for any development is a grass-roots consensus that this kind of solidarity is worthwhile. Social consensus needs to be fostered and reinforced by the normative policies of national constituents and by the international community, especially by the ILO with its emphasis on tripartism, human rights and social equity. It is evident that societies which possess reasonable levels of
democracy, which respect human rights and human dignity, which promote an equitable distribution of both income and wealth, and which give individuals the scope and opportunity to develop fully, are those which present the most fertile ground for the development of social protection. Societies which have not yet embraced these objectives must be persuaded that it is to their advantage to do so, for they underlie all other aspects of development.

The demand for social protection needs to be made effective, in political, economic and institutional terms, if progress is to be achieved. But there are many potential impediments to the development of social protection, as this report has shown. They are by no means all insuperable. Neither economic prosperity nor full employment is a *sine qua non*, although clearly they ease some of the problems. Better governance can create the necessary confidence in social arrangements. Better management and administration of social protection schemes ensure better performance. And more flexible structures will better adapt outcomes to needs. These are areas where governments, the social partners and social security agencies, acting in concert with international assistance and technical cooperation, can do much to promote wider coverage and better benefits.

A great deal of technical cooperation will be needed. But here I must sound a note of caution: it is not always the case that systems established in the developed countries can or should be replicated in the developing world. Smaller-scale, local, less formal systems may be more effective and may adapt more easily to the national circumstances. Considerable imagination will be required, and this is as likely to come from those affected as from outside experts. Indeed, it is the latter who may need to be the more adaptable.
If it is important to tailor solutions to the national context, it is even more important to view social protection policies in the context of overall development policies, and to integrate them into the general development strategy. This has two distinct implications. On the one hand, the expansion of social protection and social expenditures will need to be tempered by economic constraints – not only those arising in the course of normal year-to-year economic management, but also those linked to stabilization and structural adjustment policies, or to the transition to a market-oriented economy. On the other hand, economic restructuring policies will need to take account of their impact on the capacities of social security systems and their ability to deliver essential protection to a wide spectrum of the population. It should be possible to strike a proper balance between these considerations, and to modify both economic and social strategies to obtain better results from both. The acid test is whether modified policies can deliver the necessary economic adjustments at a lower social cost. Here, again, fuller exploration with other institutions, both national and international, is needed.

Can social protection alleviate poverty? The answer is probably equivocal. The situation of the industrialized countries has permitted them to tackle poverty, which is confined to a minority of their citizens, through measures relating to social assistance, safety nets or unemployment compensation; in addition, the development of pension systems has meant that old age is no longer a virtual guarantee of hardship. Social safety nets also play a vital role in countries in the process of transition from a planned to a market-oriented economy, particularly in those which have a history of guaranteed employment and well-developed administrative structures. They provide protection for workers and their families and parents in a period of turbulent structural and industrial change.
By minimizing the hardships and by assisting the process of reintegration into the newly emerging labour markets, they help to maintain the consensus for change. But these mechanisms are simply not available with anything like the same scope or comprehensiveness in the developing countries, where anti-poverty policies must for the moment rely largely on hopes of economic advancement and better paid and more widespread formal employment. But even a modest amount of economic growth should enable social protection policies to reinforce other anti-poverty measures. A widening of the base for both taxes and social security contributions, an expansion of formal sector employment, improvements in the supply and price of basic commodities – all these are factors which would enable policies of social protection to be more sharply focused on universal basic assistance in the form of family support, minimum pensions and incomes, and health care, and ensure that access and delivery systems are improved.

The dimensions of the problem make the development of social assistance for the poor an urgent matter. The severe deprivation which exists at the bottom of the scale in many countries must be tackled alongside the development of other forms of social protection or social security, and must be given a larger share of national budgets, even where such budgets are small and constrained. Social expenditures merit a higher degree of protection against policies of economic stabilization and monetary restriction, and an even higher priority where budgets are unduly focused on military spending or on spending directed towards the more affluent groups of society. They deserve it not simply on humanitarian grounds, but because, like other investment in human resources, they are part of the engine of growth.
How long will it take?

We cannot tell. In the developed countries the evolution from social insurance to social protection has spanned nearly a century. In the developing world this process must be compressed into a much shorter time. Much has already been achieved, and I hope that better economic growth in the next decade or so will enable the developing countries to do a great deal more. But we cannot assume that a rising tide will automatically lift all boats. Conscious policies and effort will be required to ensure that social protection develops as rapidly as the various constraints allow; that means at least as rapidly as the economy, hopefully a good deal faster, and sooner rather than later.

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The foregoing remarks leave no doubt as regards the effort required of the ILO in the area of social protection. Normative and technical support for ILO constituents is the cornerstone of this effort. Its objectives are the promotion and reinforcement of social security and social protection systems; their extension to the whole of the population; the development of a conceptual framework which provides social protection on the basis of needs and human rights, rather than ability to pay or to contribute; and lastly, a broader perspective, to ensure the cohesion of social protection programmes with labour market policies, economic objectives and the development of democracy.

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